

**Isles of Scilly Steamship Company
Limited**

Directors' report and financial statements

For the year ended 31 March 2011

Company registration number 00165746

Isles of Scilly Steamship Company Limited

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Isles of Scilly Steamship Company Limited

Directors' report

For the year ended 31 March 2011

The directors present their annual report and financial statements of the group for the year ended 31 March 2011.

Principal activities

The principal activities of the company and its subsidiaries are the provision of regular sea and air services for passengers and cargo between the mainland and the Isles of Scilly.

During the year under review the companies continued the operation of ancillary activities as follows: marine engineers, ship repairers and operation of a dry dock, operation of the inter-island launch service, operation of Land's End Aerodrome, operation of scenic flights and aeronautical engineering.

Review of business

The results for the year are shown in the profit and loss account on Page 6.

The group's turnover increased by 14.6% (2010: increase of 2.4%) to £11,198,789 (2010: £9,775,224.) The increase in turnover was due in part to the inclusion of Penzance Dry Dock Limited for its first full year of trading and also to the delivery of materials to the new school build project on St. Mary's.

Operating profit before exceptional items was £879,675 (2010: £628,067.) The exceptional item of £59,511 (2010: £55,387) relates to the costs incurred in the group's successful tender to be preferred operator of the Isles of Scilly Link Service. The Cornwall Council bid for funds from the Department for Transport, for the Isles of Scilly Link project was unsuccessful.

Interest receivable was £67,818 (2010: £70,359) reflected the low rates of interest available for secure term deposits available in the UK.

Profit before tax was £887,982 (2010: £389,091.)

The increase in cash in the year was £767,756 (2010: £812,248.) The group made significant capital expenditure during the year, £494,406 (2010: £531,266) including work on the recently acquired IVOR B and a new engine for a Skybus Twin Otter. The MNOPF deficit payment £309,335 (2010: Nil) was paid during the year. The group had net funds of £4,748,484 (2010: £3,980,728) and remains debt free (2010: Nil.)

Shareholder funds have increased by £841,960 to £7,203,465 (2010: £6,361,505.)

The group's involvement in the IOS Link project ended on 31.03.2011 when the Department for Transport advised Cornwall Council that they had decided not to fund their bid. The group continues to evaluate options for the replacement of its major shipping assets, the Scillonian III and the Gry Maritha.

During the course of the year the group commenced negotiation with the owners of Nike Engineering for the acquisition of the assets of their business. The group completed this acquisition on 26th May 2011.

Recent increases in the cost of fuels used in both our marine and aviation businesses represent a risk to group profitability.

Isles of Scilly Steamship Company Limited

Directors' report

For the year ended 31 March 2011

Directors

The directors who held office during the year were:

Committees

RW Banfield	
HR Duncan	A
JHM East (Vice Chairman)	A, R
PD Hardaker	A, R
J Marston (Chief executive)	
AJ May (Chairman)	
Mrs JM Walder	R
TB Ward	

'A' signifies that the director is a member of the audit committee.

'R' signifies that the director is a member of the remuneration committee.

The chairman and chief executive are ex officio members of both committees.

Dividend

The directors recommend the payment of a final dividend of £99,831 (2010: £84,701), 8p (2010: 7p) per share. This is based on shareholdings at 19 May 2011 and will be paid on 2 November 2011.

The directors are proposing to offer shareholders a choice of taking shares in place of the dividend and proposals will be put before shareholders at the Annual General Meeting to ask for their approval.

Auditors

Auditors will be appointed at the forthcoming Annual General Meeting.

Isles of Scilly Steamship Company Limited

Directors' report

For the year ended 31 March 2011

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit and loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

Hugh Town
St Mary's
Isles of Scilly

Jeffrey Marston

Secretary

21 July 2011

Isles of Scilly Steamship Company Limited

Independent auditors' report to the shareholders of Isles of Scilly Steamship Company Limited

We have audited the financial statements of Isles of Scilly Steamship Company Limited for the year ended 31 March 2011 set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Isles of Scilly Steamship Company Limited

Independent auditors' report
to the shareholders of Isles of Scilly Steamship Company Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Graham Boulton (Senior Statutory Auditor)

for and on behalf of Robinson Reed Layton, Statutory Auditors

Peat House
Newham Road
TRURO
TR1 2DP

26 July 2011

Isles of Scilly Steamship Company Limited

Group profit and loss account

For the year ended 31 March 2011

	<i>Notes</i>	2011 £	2010 £
Turnover	2	11,198,789	9,775,224
Cost of sales before exceptional item		(10,319,114)	(9,091,770)
		<hr/>	<hr/>
Operating profit before exceptional item		879,675	683,454
Cost of sales – exceptional item	3	(59,511)	(364,722)
		<hr/>	<hr/>
Operating profit	4	820,164	318,732
Other interest receivable and similar income		67,818	70,359
		<hr/>	<hr/>
Profit on ordinary activities before taxation		887,982	389,091
Taxation	5	1,040	(5,960)
		<hr/>	<hr/>
Profit on ordinary activities after taxation and profit for the financial year	16	889,022	383,131
		<hr/> <hr/>	<hr/> <hr/>

There were no acquisitions or discontinued operations within the group during the years ended 31 March 2011 or 2010.

There are no recognised gains or losses in the above years other than those passing through the profit and loss account.

Isles of Scilly Steamship Company Limited

Note of group historical cost profits and losses

For the year ended 31 March 2011

	2011	2010
	£	£
Reported profit on ordinary activities before taxation	887,982	389,091
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	1,537	10,966
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	889,519	400,057
	<hr/> <hr/>	<hr/> <hr/>
Historical cost profit retained after taxation	890,559	394,097
	<hr/> <hr/>	<hr/> <hr/>

Isles of Scilly Steamship Company Limited

Balance sheet

As at 31 March 2011

		The Company		The Group	
		2011	2010	2011	2010
	Notes	£	£	£	£
Fixed assets					
Tangible assets	7	334,527	336,628	4,463,277	4,955,946
Investments	8	264,786	264,786	-	-
		<u>599,313</u>	<u>601,414</u>	<u>4,463,277</u>	<u>4,955,946</u>
Current assets					
Stocks	9	-	-	831,317	610,917
Debtors	10	1,829,371	2,209,311	1,245,690	1,033,414
Cash at bank and in hand		4,589,845	3,949,031	4,748,484	3,980,728
		<u>6,419,216</u>	<u>6,158,342</u>	<u>6,825,491</u>	<u>5,625,059</u>
Creditors: amounts falling due within one year	11	(2,526,462)	(2,543,774)	(3,813,803)	(3,946,500)
Net current assets		<u>3,892,754</u>	<u>3,614,568</u>	<u>3,011,688</u>	<u>1,678,559</u>
Total assets less current assets		<u>4,492,067</u>	<u>4,215,982</u>	<u>7,474,965</u>	<u>6,634,505</u>
Provisions for liabilities and charges	12	-	-	(271,500)	(273,000)
Net assets		<u>4,492,067</u>	<u>4,215,982</u>	<u>7,203,465</u>	<u>6,361,505</u>
Capital and reserves					
Called up share capital	14	1,247,549	1,209,910	1,247,549	1,209,910
Other reserves	15	-	-	1,535	3,072
Profit and loss account	16	3,244,518	3,006,072	5,954,381	5,148,523
Shareholders' funds	17	<u>4,492,067</u>	<u>4,215,982</u>	<u>7,203,465</u>	<u>6,361,505</u>

These financial statements were approved by the Board of directors on 21 July 2011 and were signed on its behalf by:

AJ May
Director

Company Registration No. 00165746

Isles of Scilly Steamship Company Limited

Group cash flow statement

For the year ended 31 March 2011

	Notes	£	2011 £	£	2010 £
Net cash inflow from operating activities	21		1,138,770		1,249,454
Returns on investments and servicing of finance					
Interest received		65,109		83,489	
Net cash inflow from returns on investments and servicing of finance			65,109		83,489
Taxation					
Corporation tax paid		(460)		(460)	
Capital expenditure					
Payments to acquire tangible fixed assets		(494,406)		(531,266)	
Receipts from sales of tangible fixed assets		105,805		83,829	
Net cash outflow from capital expenditure			(388,601)		(447,437)
Equity dividends paid			(47,062)		(33,665)
Financing					
Capital element of mortgage loans		-		(39,133)	
Net cash outflow from financing			-		(39,133)
Increase in cash in the year	22		767,756		812,248

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

1 **Accounting policies**

1.1 **Accounting convention**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain assets.

1.2 **Turnover**

Turnover represents revenue recognised in the financial statements. Revenue is recognised when the group fulfils its contractual obligations to customers by supplying goods and services and excludes Value Added Tax.

1.3 **Tangible fixed assets and depreciation**

Depreciation is calculated at the following annual rates which are intended to write off the cost or valuation less residual value of assets over their estimated useful lives as follows:

Freehold properties	50 years
Aircraft engines and major components	number of hours flown
Leasehold properties	over the period of the lease
Plant and equipment	At various rates appropriate to the relevant asset

1.4 **Investments**

Investments are included in the financial statements at cost less amounts written off for permanent diminution in value.

1.5 **Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value after provision has been made for obsolete and slow-moving stock. For work in progress cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

1.6 **Taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.7 **Assets acquired under mortgage loans and hire purchase agreements**

Where assets are acquired under a mortgage or hire purchase agreement which gives rights approximating to ownership, the amount representing the outright purchase price of such assets is included in tangible fixed assets. The capital element of future repayments is treated as a liability and the interest is charged to the profit and loss account over the period of the mortgage or hire purchase agreement.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

1.8 **Consolidation**

The consolidated financial statements incorporate the financial statements of Isles of Scilly Steamship Company Limited and its subsidiary undertakings. The financial statements of all group companies are made up to 31 March 2011. In accordance with the exemptions granted under Section 480 of the Companies Act 2006, a separate profit and loss account dealing with the results of the company only has not been presented.

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

1.9 Pension costs

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17 (Revised). Defined benefit pension funds have been accounted for as defined contribution schemes since these are multi-employer schemes and the company has been unable to identify its share of the underlying assets or liabilities of these funds.

1.10 Ship maintenance

When the ships are dry-docked for overhaul, the costs of these overhauls are charged against the profit and loss account as incurred.

Other repair or service costs are also charged against the profit and loss account as incurred.

2 Turnover

The analysis of turnover by activity is as follows:

	2011 £	2010 £
Services by sea	5,633,259	4,746,625
Services by air	4,579,784	4,484,941
Other non-transport activities	985,746	543,658
	<u>11,198,789</u>	<u>9,775,224</u>

3 Exceptional items

The group incurred a cost of £Nil (2010: £309,335) in respect of the Merchant Navy Officers' Pension Fund during the year, being the group's share of the fund's deficit (see note 13).

The group incurred legal and professional costs of £59,511 (2010: £55,387) in connection with the Isles of Scilly Link Project.

4 Operating profit

	2011 £	2010 £
Operating profit is stated after charging/(crediting):		
Depreciation of tangible assets	885,466	716,643
Profit on sale of tangible fixed assets	(4,196)	(19,661)
Rental of other assets - operating leases	205,142	122,201
Hire of plant and machinery - rentals payable under operating leases	27,590	20,000
Auditors remuneration	14,500	14,500
	<u>1,128,902</u>	<u>863,683</u>

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

5 Taxation	2011 £	2010 £
Current tax charge		
UK Corporation Tax - current year	460	460
Deferred tax (credit)/charge	(1,500)	5,500
	<u>(1,040)</u>	<u>5,960</u>
Factors affecting the tax credit for the year		
Profit on ordinary activities before taxation	<u>887,982</u>	<u>389,091</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2010: 21%)	<u>186,476</u>	<u>81,709</u>
Effects of:		
Non deductible expenses	(43,315)	62,849
Depreciation	161,730	126,867
Capital allowances	(87,421)	(104,483)
Tax losses arising	53,291	42,693
Profit of business not subject to taxation	(270,761)	(209,635)
Tonnage tax	460	460
	<u>(186,016)</u>	<u>(81,249)</u>
Current tax charge	<u>460</u>	<u>460</u>

The group's shipping business operates under the UK tonnage tax regime. For the current year the tax charge arising is calculated by reference to the net tonnage of the ships operated by the business rather than the tax adjusted results.

The UK tonnage tax regime referred to above includes provision whereby a proportion of capital allowances previously claimed by the company may be subject to tax in the event of a number of ships owned at 1 April 2005, the date the company entered tonnage tax, being sold and not directly replaced.

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

6 Dividends

	2011 £	2010 £
Prior year final dividend	84,701	59,218

The directors propose a final ordinary dividend of £99,831 (2010: £84,701) for the year ended 31 March 2011. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 14 September 2011.

7 Tangible fixed assets - Company

	Plant and equipment £	Short leasehold property £	Freehold property £	Total £
Cost or valuation				
At 1 April 2010	29,500	104,327	503,629	637,456
Additions	7,872	-	-	7,872
	-----	-----	-----	-----
At 31 March 2011	37,372	104,327	503,629	645,328
	-----	-----	-----	-----
Depreciation				
At 1 April 2010	3,071	104,327	193,430	300,828
Charge for year	9,973	-	-	9,973
	-----	-----	-----	-----
At 31 March 2011	13,044	104,327	193,430	310,801
	-----	-----	-----	-----
Net book value				
At 31 March 2011	24,328	-	310,199	334,527
	=====	=====	=====	=====
At 31 March 2010	26,429	-	310,199	336,628
	=====	=====	=====	=====

The company has taken advantage of the transitional provisions of Financial Reporting Standard 15 and prior revaluations have not been updated.

Freehold property includes property revalued by £321,366 (2010: £321,366) at 31 March 1991 at open market value. On a historical cost basis the property has an original cost of £121,384 (2010: £121,384) with depreciation charged of £36,415 (2010: £36,415) to date.

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

7 Tangible fixed assets (continued) – Group

	Plant and equipment	Short leasehold property	Freehold property	Total
	£	£	£	£
<i>Cost or valuation</i>				
At 1 April 2010	12,301,727	276,429	503,631	13,081,787
Additions	494,406	-	-	494,406
Disposals	(139,256)	-	-	(139,256)
	-----	-----	-----	-----
At 31 March 2011	12,656,877	276,429	503,631	13,436,937
	-----	-----	-----	-----
<i>Depreciation</i>				
At 1 April 2010	7,693,790	238,621	193,430	8,125,841
On disposals	(37,647)	-	-	(37,647)
Charge for year	866,562	18,904	-	885,466
	-----	-----	-----	-----
At 31 March 2011	8,522,705	257,525	193,430	8,973,660
	-----	-----	-----	-----
<i>Net book value</i>				
At 31 March 2011	4,134,172	18,904	310,201	4,463,277
	=====	=====	=====	=====
At 31 March 2010	4,607,937	37,808	310,201	4,955,946
	=====	=====	=====	=====

The group has taken advantage of the transitional provisions of Financial Reporting Standard 15 and prior revaluations have not been updated.

Tangible fixed assets include the following revaluations to arrive at an open market value:

	Plant and equipment	Short leasehold property	Freehold property	Total
	£	£	£	£
31 March 1987	23,886	-	-	23,886
31 March 1991	-	41,225	321,366	362,591
	-----	-----	-----	-----
	23,886	41,225	321,366	441,477
	=====	=====	=====	=====
Historical cost of revalued assets	20,706	10,588	121,384	166,744
	-----	-----	-----	-----
Depreciation on historical cost to date	20,701	10,216	36,415	67,332
	=====	=====	=====	=====

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

8 Fixed asset investments - Company

	Shares in subsidiary undertakings £	Total £
Cost		
At 31 March 2010 and 31 March 2011	264,786	264,786
	<hr/> <hr/>	<hr/> <hr/>

Details of subsidiary undertakings are as follows:

	Percentage of allotted ordinary share capital	
	2011	2010
<i>Isles of Scilly Skybus Limited</i>	100%	100%
Principal activity - provision of freight and passenger air services between the mainland and the Isles of Scilly.		
<i>Westward Airways (Lands End) Limited</i>	100%	100%
Principal activity - operation of Lands End Aerodrome		
<i>Isles of Scilly Shipping Company Limited</i>	100%	100%
Principal activity – provision of passenger and cargo services by sea between the mainland and the Isles of Scilly		
<i>Lyonesse Shipping Company Limited</i>	100%	100%
Principal activity – leasing of ships		
<i>Lyonesse Air Transport Limited</i>	100%	100%
Dormant		
<i>Penzance Dry Dock (2009) Limited</i>	100%	100%
Principal activity – operation of a dry dock		
	<hr/> <hr/>	<hr/> <hr/>

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

9 Stocks

	The Company		The Group	
	2011	2010	2011	2010
	£	£	£	£
Fuel	-	-	61,327	67,684
Engineering spares and workshop	-	-	755,262	528,381
Other consumables	-	-	14,728	14,852
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	831,317	610,917
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10 Debtors

	The Company		The Group	
	2011	2010	2011	2010
	£	£	£	£
<i>Amounts falling due within one year:</i>				
Trade debtors	448	12,349	1,019,251	878,532
Amounts owed by group undertakings	971,189	1,341,923	-	-
Prepayments and accrued income	57,734	38,864	188,939	101,207
Other debtors	-	16,175	37,500	53,675
	<hr/>	<hr/>	<hr/>	<hr/>
	1,029,371	1,409,311	1,245,690	1,033,414
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Amounts falling due in more than one year:</i>				
Amounts owed by group undertakings	800,000	800,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,829,371	2,209,311	1,245,690	1,033,414
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

11 Creditors: amounts falling due within one year

	The Company		The Group	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	-	686	727,383	676,550
Amount owed to group undertakings	2,412,918	2,166,267	-	-
Corporation tax	-	-	460	460
Other taxes and social security	16,592	7,223	63,809	44,489
Other creditors	1,363	1,279	1,363	1,279
Accruals and deferred income	95,589	368,319	3,020,788	3,223,722
	<hr/>	<hr/>	<hr/>	<hr/>
	2,526,462	2,543,774	3,813,803	3,946,500
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Amounts relating to payments made by customers for travel, in advance of their scheduled departure date, are included in deferred income.

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

12 Provisions for liabilities and charges - Group

	Deferred taxation
	£
Balance at 1 April 2010	273,000
Profit and loss account	(1,500)
	<hr/>
Balance at 31 March 2011	271,500
	<hr/> <hr/>

Deferred tax is analysed over the following timing differences:

	2011	Fully provided
	£	2010
		£
Accelerated capital allowances	532,500	548,400
Unutilised losses carried forward	(261,000)	(275,400)
	<hr/>	<hr/>
	271,500	273,000
	<hr/> <hr/>	<hr/> <hr/>

If revalued assets were realised at their net book value at the year end the potential corporation tax liability for the company and group would have been £Nil (2010: £Nil).

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

13 Pension schemes

During the year the group operated two defined benefit pension schemes – the Merchant Navy Officers Pension Fund (New Section) (MNOFP) and The Merchant Navy Ratings Pension Fund (MNRPF). These schemes are multi-employer schemes. The group has been unable to identify its share of the underlying assets or liabilities of these schemes and therefore has accounted for these schemes as defined contribution schemes in accordance with FRS 17.

Merchant Navy Officers Pension Fund

The most recent actuarial valuation for the purposes of Regulations 14 and 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 for the MNOFP was carried out on 31 March 2009. The Projected Unit funding method was used and assets valued at their stated market value. The assumptions which have the most effect on the results of the MNOFP valuation are those relating to future investment returns and changes in mortality rates.

The valuation showed that the market value of the assets was £1,547 million and disclosed a shortfall of £557 million.

The group's share of the 2009 actuarial deficit was £309,335 which was included in creditors at 31 March 2010 and was paid in September 2010. The respective figure for the company was £289,636.

Merchant Navy Ratings Pension Fund

The most recent actuarial valuation for the purpose of Regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 for the MNRPF was carried out at 31 March 2008. The projected unit method was used. The assumptions which have the most effect on the results of the MNRPF valuation are those relating to the valuation rate of interest, rate of salary escalation and Section 148 order revaluation and the rate of future pension increases.

The valuation showed that the market value of the assets was £625 million and disclosed a shortfall of £175 million on an ongoing basis.

On 31 May 2001 this scheme was closed and replaced by the Merchant Navy Ratings Pension Plan.

The deficit is proposed to be repaid by the members of the fund over a period of 13 years to 31 March 2021. The company's share of this deficit has not been accurately determined. During the year the company was charged £24,357 (2010: £22,871) towards the deficit.

Other Schemes

The company and group also operated defined contribution pension schemes during the year, being the Merchant Navy Ratings Pension Plan and a group sponsored pension plan.

Pension Cost Charge

The total pension cost charge for the period represents contributions payable by the group to the funds and amounted to £103,187 (2010: £397,058). Contributions amounting to £49,190 (2010: £317,091) were payable to the funds at the year end and are included in creditors. The respective figures of the company are £46,889 of contributions (2010: £326,640) and £37,720 in creditors (2010: £290,915).

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

14 Share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
1,247,549 Ordinary shares of £1 each	1,247,549	1,209,910
	<u> </u>	<u> </u>

37,639 (2010: 25,553) ordinary shares were issued in the year at par in lieu of dividend.

15 Other reserves - Group

	Revaluation reserve £
At 1 April 2010	3,072
Transferred to profit and loss account	(1,537)
	<u> </u>
At 31 March 2011	1,535
	<u> </u>

16 Profit and loss account

	The Company 2011 £	The Group 2011 £
At 31 March 2010	3,006,072	5,148,523
Profit for the financial year	323,147	889,022
Dividends	(84,701)	(84,701)
Transfer from revaluation reserve	-	1,537
	<u> </u>	<u> </u>
At 31 March 2011	3,244,518	5,954,381
	<u> </u>	<u> </u>

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

17 Reconciliation of movements in shareholders' funds

	2011	The Company	2011	The Group
	£	2010	£	2010
		£		£
Profit for the financial year	323,147	257,132	889,022	383,131
Dividends	(84,701)	(59,218)	(84,701)	(59,218)
	<hr/>	<hr/>	<hr/>	<hr/>
New share capital subscribed	238,446	197,914	804,321	323,913
	37,639	25,553	37,639	25,553
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	276,085	223,467	841,960	349,466
Opening shareholders' funds	4,215,982	3,992,515	6,361,505	6,012,039
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	4,492,067	4,215,982	7,203,465	6,361,505
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 Related party transactions

During the period services supplied by the group, where directors had an interest, amounted to £52,817 (2010: £42,696), the balance owing to the group, in respect of these transactions at 31 March 2010 was £17,313 (2010: £14,051). Dividends paid during the year to directors amounted to £10,184 (2010: £7,016).

A related party to a director of the group was paid £8,803 (2010: £4,416) for services provided to the group.

19 Contingent liabilities

The Group and Company

The bankers hold bonds in respect of Air BP for £8,000 (2010: £8,000) and National Express of £2,500 (2010: £2,500).

The Company

The company has agreed to support the operation of its subsidiary companies Westward Airways (Lands End) Limited and Penzance Dry Dock (2009) Limited.

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

20 Commitments - Group

Operating leases

Annual commitments under operating leases:

	2011 £	2010 £
<i>Land and buildings:</i>		
Operating lease which expires in 2-5 years	145,500	133,333
Operating lease which expires after five years	62,550	42,396
	<u> </u>	<u> </u>

Capital commitment

	2011 £	2010 £
Authorised but not contracted for	10,350	60,000
	<u> </u>	<u> </u>

Company

The company has no capital commitments.

21 Reconciliation of operating profit to net cash inflow from operating activities

	2011 £	2010 £
Operating profit	820,164	318,732
Depreciation	885,466	716,643
Profit on sale of tangible fixed assets	(4,196)	(19,661)
Increase in stocks	(220,400)	(140,591)
Increase in debtors	(209,567)	(221,729)
(Decrease)/increase in creditors	(132,697)	596,060
	<u> </u>	<u> </u>
Net cash inflow from operating activities	1,138,770	1,249,454
	<u> </u>	<u> </u>

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

22 Reconciliation of net cash flow to movement in net funds

	2011 £	2010 £
Increase in cash (note 23)	767,756	812,248
Cash outflow from decrease in debt and mortgage loans	-	39,133
	<hr/>	<hr/>
Movement in net funds in the year resulting from cash flows	767,756	851,381
Net funds at 1 April 2010	3,980,728	3,129,347
	<hr/>	<hr/>
Net funds at 31 March 2011	4,748,484	3,980,728
	<hr/> <hr/>	<hr/> <hr/>

23 Analysis of changes in net funds

	At 1 April 2010 £	Cashflow £	At 31 March 2011 £
Cash at bank and in hand	3,980,728	767,756	4,748,484
	<hr/>	<hr/>	<hr/>
	3,980,728	767,756	4,748,484
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

24 Control

There is no particular individual who is the ultimate controlling party.

25 Staff numbers and costs

The average number of persons employed by the group during the year was as follows:

	2011	2010
Directors	8	8
Employees	159	134
	<hr/>	<hr/>
	167	142
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2011 £	2010 £
Wages and salaries	3,502,374	2,971,423
Social security costs	335,662	274,534
Other pension costs	103,187	397,058
	<hr/>	<hr/>
	3,941,223	3,643,015
	<hr/> <hr/>	<hr/> <hr/>

Isles of Scilly Steamship Company Limited

Notes

(forming part of the financial statements)

26 Remuneration of directors

	2011 £	2010 £
Directors' emoluments	134,775	147,064
Compensation for loss of office	11,700	-
	<hr/>	<hr/>
	146,475	147,064
	<hr/> <hr/>	<hr/> <hr/>

Retirement benefits are accruing to 1 director (2010: 1) under defined contribution pension schemes.

27 Post balance sheet event

The trade and assets of Nike Engineering were acquired on 26 May 2011 and a new subsidiary was incorporated to operate the business.